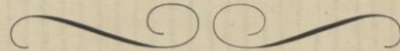


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BOND STORES, INCORPORATED



ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1944

MRB
CORP. FILE

OFFICERS

BENJ. J. FRIEDMAN	<i>Chairman of the Board</i>
BARNEY RUBEN	<i>President</i>
IRVING COHEN	<i>Vice-President and Treasurer</i>
JAMES W. CONNORS	<i>Vice-President and Secretary</i>
SYLVAN N. KING	<i>Vice-President</i>
IRVING MOSELOWITZ	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
RUDOLPH STULZ	<i>Vice-President</i>
CARL F. KLEMENGER	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

BENJ. J. FRIEDMAN	JAMES W. CONNORS
BARNEY RUBEN	HERBERT H. MAASS
IRVING COHEN	JOHN M. HANCOCK
MAURICE WERTHEIM	

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES:

AKRON, OHIO	FLINT, MICH.	OAKLAND, CALIF.
ALBANY, N. Y.	FORT WORTH, TEXAS	PHILADELPHIA, PA.
ATLANTA, GA.	HARRISBURG, PA.	PITTSBURGH, PA.
BALTIMORE, MD.	HARTFORD, CONN.	PROVIDENCE, R. I.
BIRMINGHAM, ALA.	HOUSTON, TEXAS	READING, PA.
BOSTON, MASS.	JERSEY CITY, N. J.	ROCHESTER, N. Y.
BUFFALO, N. Y.	KANSAS CITY, MO.	SAN FRANCISCO, CALIF.
CHICAGO, ILL.	LORAIN, OHIO	SCHENECTADY, N. Y.
(5 stores)	LOS ANGELES, CALIF.	SCRANTON, PA.
CINCINNATI, OHIO	LOUISVILLE, KY.	ST. LOUIS, MO.
CLEVELAND, OHIO	MEMPHIS, TENN.	SYRACUSE, N. Y.
COLUMBUS, OHIO	MILWAUKEE, WISC.	TOLEDO, OHIO
DALLAS, TEXAS	NEWARK, N. J.	TRENTON, N. J.
DAYTON, OHIO	NEW BRUNSWICK, N. J.	WASHINGTON, D. C.
DES MOINES, IOWA	NEW HAVEN, CONN.	WILKES-BARRE, PA.
DETROIT, MICH.	NEW YORK, N. Y.	YOUNGSTOWN, OHIO
(2 stores)	(8 stores)	

Factories in Rochester, N. Y. and New Brunswick, N. J.

BOND STORES, INCORPORATED

261 FIFTH AVENUE
NEW YORK

March 26, 1945.

TO THE STOCKHOLDERS OF
BOND STORES, INCORPORATED:

Herewith are transmitted to you the balance sheet and profit and loss statements of our Company for the year ended December 31st, 1944, duly certified by the Company's auditors.

The results achieved were eminently satisfactory, for during the past year the Company enjoyed the largest volume of sales in its history. This was accomplished in the face of many difficulties, and might have been exceeded except for the fact that Management, in its desire to maintain quality, was reluctant to make purchases which were not in accordance with our standards.

We have successfully maintained our sources of supply and our commitments continue ample for our requirements, but Governmental restrictions during the remainder of the war, may cause delays or failures in delivery of merchandise for which we have contracted. This and other factors, such as labor shortages, make it impossible to foretell how adequate the quantities of available merchandise will be in order to maintain the peak sales heretofore enjoyed. However, because of high income taxes and other offsetting factors, such a condition, in the opinion of Management, will not materially affect net profits.

The second full year's operation of our women's departments has proven to our satisfaction that we were justified in engaging in this new enterprise, and that we enjoy among women the same approval and acceptance of our products as we do with men.

In last year's report, we mentioned the plans then being prepared for the enlargement of existing stores and the removal of others to larger and better locations in order to accommodate men's and women's departments on a scale commensurate with the post-war business we believe we have a right to expect, and also for the opening of a few additional units in desirable locations where favorable rental terms could be secured, as well as intended increase of factory production. These plans are now substantially completed, and as soon as Governmental restrictions on building operations and materials are lifted, the store alterations and new store buildings will be undertaken, most of the cost of which will be covered by contributions from the landlords. We will also erect in Rochester, New York, a new and most modern plant comprising about 600,000 square feet of manufacturing space which when fully equipped, will be large enough to employ between 5000 and 6000 more workers than our peak in 1941. Management believes that these completed improvements and the factory enlargement above described, will immeasurably solidify the position of the Company, and will more than ever symbolize Bond's leadership in the wearing apparel field. With all these factors in mind, we look forward in the period after the termination of the war, to increased production and expanded volume. Presently, part of our facilities are devoted to the production of goods for the Armed Forces.

Whereas in 1943 all taxes paid were equivalent to \$10.59 per share of Common Stock, these payments in the year of 1944 amounted to \$12.09 per share thereof.

During the past year, the Company's wholly owned subsidiary, Adda, Inc., owner of the premises on the East Side of Broadway, running from 44th to 45th Streets, in which is operated our largest and most successful store, refinanced the mortgage on the premises through a loan from the Prudential Insurance Company of America, in the sum of \$3,650,000., upon moderate terms. The size and character of the loan indicate that the purchase of the property at the price for which it was acquired was a wise and constructive move. Our cash investment in this property is now relatively small.

We have continued our long standing policy of sharing our prosperity with our co-workers, and during the past year distributed a bonus of upwards of \$625,000 to all our employees, excepting the President and Chairman of the Board, and including the 1100 men and women now serving our country, for whom we pray a speedy return.

Mr. Benjamin J. Friedman has disposed of part of his Common stockholdings to some of his associates in the Company and members of their families, but still remains a substantial stockholder and will continue as a Director.

I sincerely pay tribute to our personnel and officers, who, through their cooperative loyalty have contributed so largely to the prosperity of the Company.

By order of the Board of Directors,

Respectfully submitted,

Barney Ruben
President.

BOND STORES, INC.
AND WHOLLY-OWNED
CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:

Cash on hand and in banks		\$ 8,191,596.22
U. S. Government securities and accrued interest thereon		12,533,113.30
Accounts receivable—customers	\$3,135,871.27	
Less: Reserve for doubtful accounts	405,821.82	2,730,049.45
Miscellaneous accounts receivable, sales tax stamps, etc.		294,847.24

Merchandise Inventories—Note A:

Woolens, trimmings, etc.	\$2,314,749.44	
Work in process	779,217.13	
Finished goods	5,465,396.45	8,559,363.02
Total Current Assets		\$32,308,969.23

Post-war refund of Federal excess profits tax \$ 455,300.00

Mortgage receivable—including accrued interest 101,944.41

Deposits, advances, claims receivable, etc. 46,534.67 603,779.08

Fixed Assets—At Cost—Note B:

Land	\$3,919,153.84	
Buildings	\$1,978,189.55	
Less: Reserve for depreciation	444,446.62	1,533,742.93
Machinery, furniture, fixtures and equipment	\$2,449,198.11	
Less: Reserve for depreciation	1,178,706.23	1,270,491.88
Alterations, improvements and leasehold	\$918,955.32	
Less: Reserve for amortization	496,959.76	421,995.56
Total Fixed Assets		7,145,384.21

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	\$ 53,403.73	
Unexpired insurance and prepaid expenses	294,555.29	347,959.02

\$40,406,091.54

The Notes to Consolidated Financial Statements are an integral part

INCORPORATED

ED SUBSIDIARY

T AS AT DECEMBER 31, 1944

LIABILITIES

Current Liabilities:

Mortgage payable—current installments—Note B		\$64,778.77
Accounts payable—merchandise and expense creditors		323,361.07
Customers' deposits, etc.		81,891.52
Dividends payable on preferred stock		67,500.75
Accrued salaries, taxes, other than Federal taxes on income, expenses, etc.		1,992,841.82
Reserve for Federal taxes on income—Note C		9,311,752.11
Total Current Liabilities		<u>\$11,842,126.04</u>
Amounts withheld under payroll allotment plan, withholding taxes, etc.	\$366,113.66	
Less: Cash held for same	<u>366,113.66</u>	—
Mortgage payable of subsidiary—Note B	\$3,650,000.00	
Less: Current installments shown above	<u>64,778.77</u>	3,585,221.23
Total Liabilities		<u>\$15,427,347.27</u>
Reserve for contingencies		750,000.00

Capital Stock—Note D:

Preferred Stock—Par Value \$100.00 per Share:

	Shares	
Authorized—to be issued in series as designated by the Board of Directors	100,000	
Authorized—but not designated	<u>40,000</u>	
4½% Convertible Preferred Stock: (Cumulative)		
Issued and outstanding	<u>60,000</u>	\$6,000,000.00

Common Stock—Par Value \$1.00 per Share:

Authorized—of which 142,858 shares are re- served for conversion of preferred stock	1,000,000	
Issued and outstanding	<u>701,497</u>	701,497.00
Capital surplus—Note D—Exhibit B	\$6,531,917.51	
Earned surplus—Note D—Exhibit B	<u>10,995,329.76</u>	17,527,247.27
Note E—General Comments		

\$40,406,091.54

of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1944

Capital Surplus—Note D:

Balance—January 1, 1944	\$6,435,713.42
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Add:

Excess of proceeds from sale of preferred stock over par value thereof—net of expenses	96,204.09
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Balance—December 31, 1944—Exhibit A	\$6,531,917.51
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Earned Surplus—Note D:

Balance—January 1, 1944	\$9,508,912.90
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Add:

Net profit for period transferred from Consolidated State- ment of Income and Profit and Loss—Exhibit C	3,077,266.44
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Adjustment applicable to prior year—taxes	1,896.57
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	\$12,588,075.91
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Deduct:

Dividends on preferred stock paid or pay- able at \$3.37½ per share	\$202,502.15
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Less: Accrued dividends received by
the Corporation in connection
with sale of its preferred

stock	12,750.00	\$189,752.15
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Dividends on common stock paid at \$2.00 per share	1,402,994.00	1,592,746.15
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Balance—December 31, 1944—Exhibit A	\$10,995,329.76
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The Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1944

Sales, including sales of \$391,066.45 to U. S. Government		\$51,425,053.93
Cost of goods sold, stores and general and administrative expenses		<u>41,683,861.59</u>
Operating profit, before depreciation and amortization		\$ 9,741,192.34
Add:		
Income from real estate operations of subsidiary, before de- ducting depreciation	\$361,100.13	
Other income	<u>497,871.10</u>	<u>858,971.23</u>
		\$10,600,163.57
Deduct:		
Depreciation	\$267,381.01	
Amortization	<u>78,516.12</u>	<u>345,897.13</u>
Net income, before provision for Federal taxes on income		\$10,254,266.44
Provision for Federal normal income tax and surtax	\$1,502,000.00	
Provision for Federal excess profits tax (after deducting a post-war credit of approximately \$630,000.00, all of which is currently allowable as a debt retirement deduction)	<u>5,675,000.00</u>	<u>7,177,000.00</u>
Net profit for the period transferred to Earned Surplus—Exhibit B		<u><u>\$3,077,266.44</u></u>

The Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1944

NOTE A: Inventories are stated at or below the lower of cost (prime cost as to goods manufactured by Bond Stores, Incorporated, retail inventory method as to furnishings, and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. Such methods for valuing the inventories are consistent with the practice of prior years.

NOTE B: The property owned by Adda, Inc., wholly-owned subsidiary, is subject to a mortgage in the principal amount of \$3,650,000.00. Adda, Inc. is required to make quarterly payments of \$50,187.50 to December 13, 1954 and \$52,468.75 thereafter to December 13, 1959. The balance of the respective payments, after deducting interest at rates which vary during certain periods, is applied against the principal amount of the mortgage. Adda, Inc. may, on or after December 13, 1954, pay the then unamortized principal amount of the mortgage.

NOTE C: The Federal income and excess profits tax returns of the Corporation have been examined up to and including the year ended December 31, 1941 and all assessments paid.

The Corporation has filed claims under Section 722 of the Internal Revenue Code for refund of a substantial amount of excess profits taxes for the years 1940 to 1943, inclusive, and is contemplating filing a similar claim for the year 1944. No consideration has been given to such claims in the preparation of the accompanying statements.

The accompanying statements are subject to the final determination of the liability for Federal, State and local taxes.

NOTE D: The 4½% Convertible Preferred Stock is redeemable at the option of the Board of Directors at \$110.50 per share if redeemed prior to April 1, 1947 and at \$108.00 per share if redeemed on or after such date, plus accrued dividends in each case. Upon liquidation, dissolution or winding up of the Corporation, the holders of the 4½% Convertible Preferred Stock shall be entitled to receive an amount of \$100.00 per share plus accrued dividends; and in the event such liquidation, dissolution or winding up of the Corporation is voluntary, a premium of \$10.50, if such event occurs prior to April 1, 1947, or a premium of \$8.00 if such event occurs on or after such date. The premium, computed at the greater amount, on the 60,000 shares of 4½% Convertible Preferred Stock outstanding would be \$630,000.00. So long as any shares of Preferred Stock shall be outstanding there are certain restrictions, as more fully set forth in the Agreement of Consolidation, as amended, on payments of dividends and purchase of subordinate stock which may be summarized in part as follows. The Corporation shall not declare any dividends (except dividends payable in shares of stocks over which the Preferred Stock has preference) or make any other distribution, on, or purchase or redeem any shares of subordinate stock, except to the extent that the sum of (a) the consolidated earnings from and after December 31, 1943, as defined; (b) proceeds in certain cases from sale of stock or conversion and (c) an amount of \$1,750,000.00, shall exceed the sum of all dividends paid (except certain stock dividends) and all distributions paid, declared or made by the Corporation after December 31, 1943, on shares of any class, and, of all amounts expended after December 31, 1943 in acquiring shares of subordinate stock. As of December 31, 1944, \$14,292,726.98 of the aggregate capital surplus and earned surplus of \$17,527,247.27, as of that date, is not available for dividends on common stock by reason of the aforementioned restrictions.

NOTE E: General Comments.

Renegotiation proceedings under the provisions of the War Profits Control Act have been consummated for the year ended December 31, 1943 and no refund was required. No provision is deemed necessary for the year under review.

Reference is made to the comments in the President's letter with reference to acquisition of additional store units and expenditures for factory building, etc.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED,
New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated, and its wholly-owned subsidiary, Adda, Inc., as at December 31, 1944 and the consolidated statements of income and profit and loss and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and profit and loss and surplus, together with the Notes to Consolidated Financial Statements present fairly the consolidated position of Bond Stores, Incorporated, and its wholly-owned subsidiary, Adda, Inc., at December 31, 1944, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 26, 1945.

S. D. LEIDESDORF & CO.